

EXHIBIT 2
DATE 3/13/09
HB 645

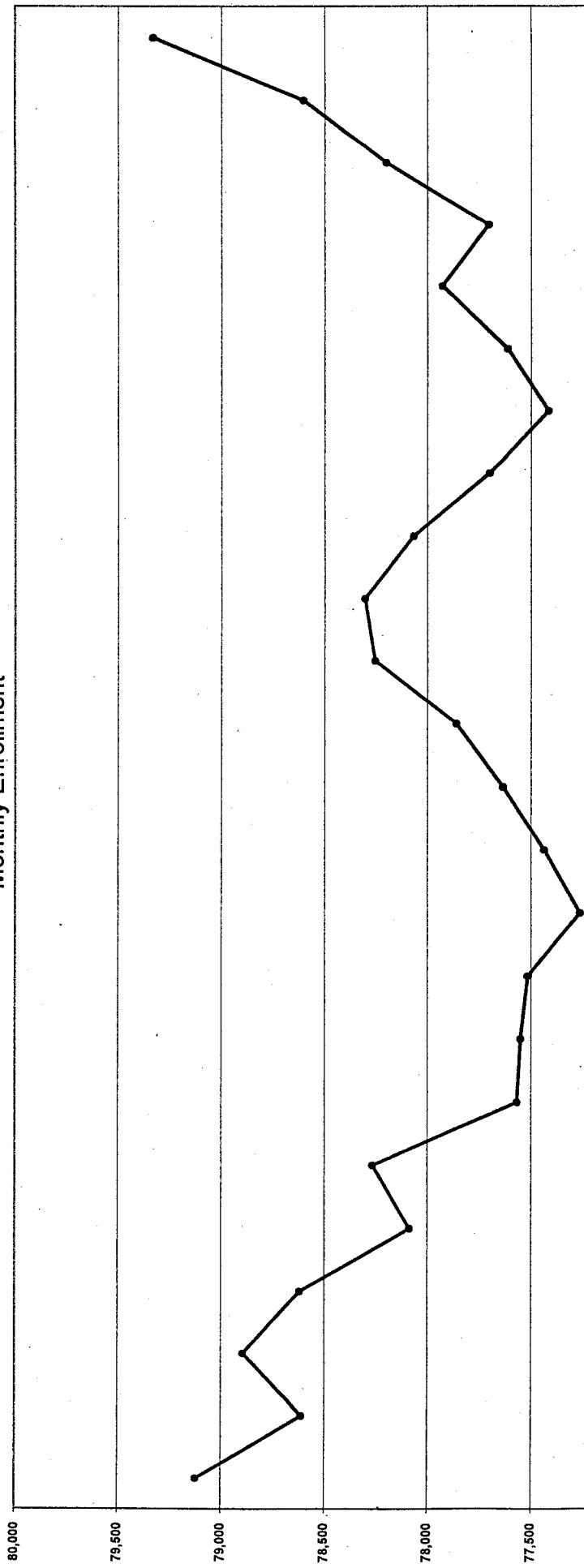


Montana
Department of Public Health & Human Services

Medicaid Enrollment by Eligibility Category for Most Recent 24 Months

All Medicaid Eligibles

Monthly Enrollment



	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	
Total	79,12	78,61	78,89	78,61	78,08	78,26	77,56	77,55	77,51	77,26	77,43	77,63	77,86	78,25	78,30	78,06	77,70	77,41	77,61	77,92	77,70	78,20	78,60	79,33	
Adults	31,85	31,61	31,66	31,45	31,23	31,28	31,05	31,14	31,05	31,07	30,92	30,98	30,98	31,11	31,27	31,28	31,17	31,11	31,05	31,05	31,05	31,22	31,35	31,60	
Children	47,26	46,99	47,22	47,16	46,85	46,98	46,51	46,40	46,44	46,34	46,45	46,84	46,74	46,97	47,02	46,88	46,74	46,58	46,36	46,55	46,71	46,64	46,97	47,24	47,72

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**DEPARTMENT OF
PUBLIC HEALTH AND HUMAN SERVICES**



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TO: Teresa Henry, Chair Appropriations Subcommittee Health and Human Services
FROM: Anna Whiting Sorrell, Director DPHHS
Ryan Jose, Operations Research Analyst Supervisor
DATE: February 17, 2009
SUBJECT: Impacts of an Economic Downturn on Medicaid.

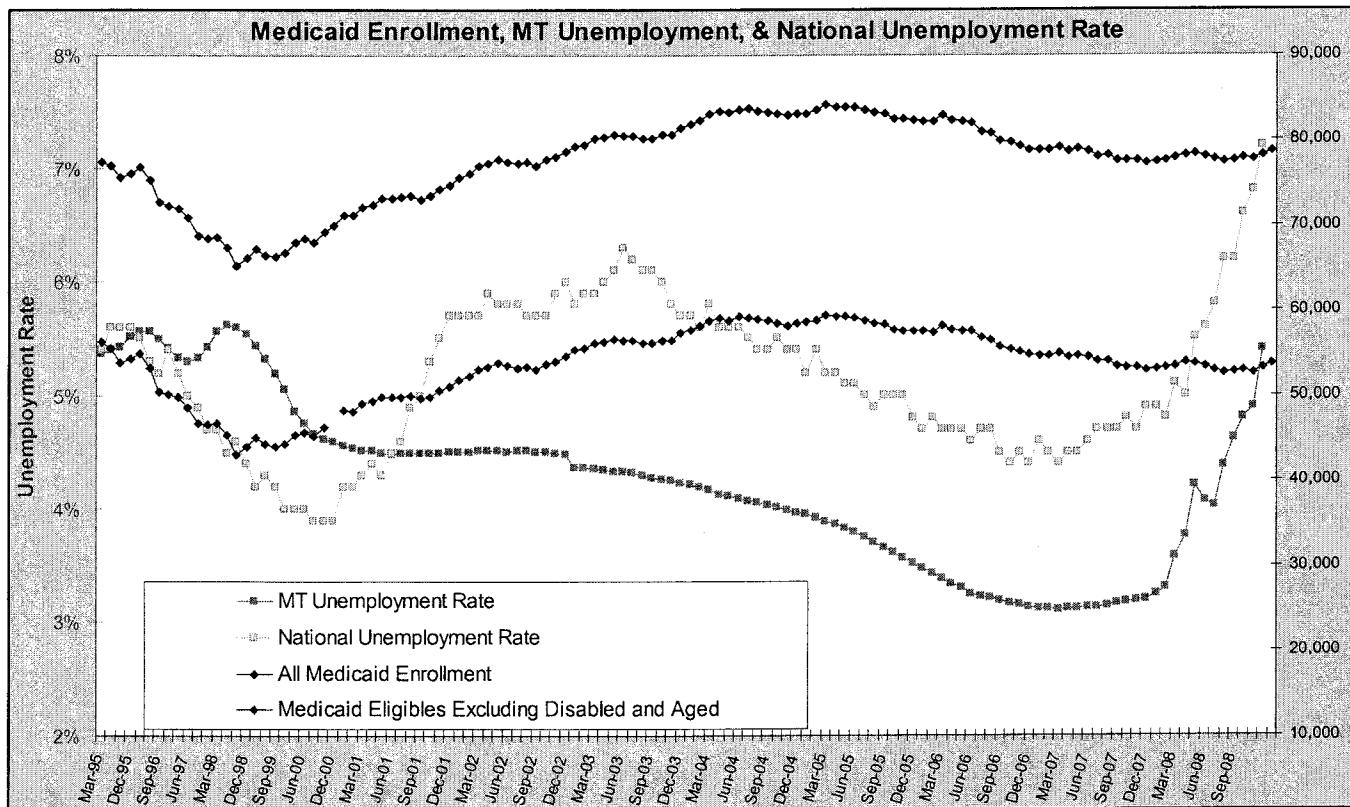
As the economy declines and unemployment increases, workers and dependents lose access to employer based insurance coverage. Studies show that an economic downturn and increases in unemployment will have the largest (Medicaid & CHIP) effect on non-disabled children and adults (up to age 64): this report and analysis will concentrate on the impacts to Montana Medicaid enrollment for this group of recipients.

DPHHS gathered national studies and contacted numerous states to see what is being developed and used by other health professionals and agencies to forecast enrollment impacts in the recent economic downturn. What was found is that, like Montana, other states are struggling with quantifying the impacts of the current economic situation. Many states are simply using best guess estimates based on long-term enrollment trends adjusted for recent short-term changes in enrollment or anecdotal evidence. Other states are utilizing correlation or linear (regression) relationship calculations between enrollment and unemployment levels.

The focus of this analysis is set around a national study prepared by the Urban Institute that utilizes a correlation or linear relationship methodology between unemployment and Medicaid and CHIP. However, the recommended Montana impacts also consider what other states are currently experiencing, along with contrasting the recommendations with historical Montana enrollment changes during periods of large growth as a reasonability check.

Unfortunately, Montana's enrollment data over the last 15 years does not show a noticeable parallel with unemployment levels. However, this does not necessarily mean that there is not a relationship or that correlation does not exist; or more importantly, that there will not be a strong association between unemployment levels and Medicaid and CHIP enrollment moving into the future. Historically, Montana unemployment has been stable with changes occurring slowly over time, while Medicaid and CHIP participation has been affected by program statutes, regulations, and procedures on both the state and national levels. It is likely that the

relationship between Montana enrollment and unemployment will be more evident with the current large and sudden change in the economy.



There are four main factors to calculating the estimated impacts of the economic downturn using unemployment levels as the lead indicator.

1. Project the number of people unemployed over the period.
2. Estimate a multiplier or ratio at which unemployed workers and their dependents will become eligible and enroll in Medicaid or CHIP.
3. Allocate the anticipated number of children enrolled between Medicaid and CHIP.
4. Approximate the lag time between when a person becomes unemployed and when they (and their dependents) would become eligible and enroll in Medicaid.

There are many issues to consider when assessing the impacts to Medicaid and CHIP during an economic downturn. Any projection will be exceptionally volatile because each of the four pieces to the calculation are estimates that will all have some degree of error inherently built-in. For example:

1. For every one-half percent (0.5%) change in the unemployment rate through the study period, enrollment and fiscal impacts would change by 15%.
2. For every 10% change in the ratio at which unemployed workers and their dependents become eligible and enroll in Medicaid, enrollment changes by 1,180 or \$5 million dollars at the peak of unemployment.

The following recommendations are estimates based on Montana specific economic data and information gathered from other states and national studies.

- 1. Project the number of people unemployed over the period.** Forecasts from Global Insight are used as the basis for unemployment levels over the period.
- 2. Estimate a multiplier or ratio at which unemployed workers and their dependents will become eligible and enroll in Medicaid or CHIP.** The Urban Institute estimates a national ratio of 65% (for every 100 new unemployed workers, Medicaid and CHIP would see 65 new enrollees). Recommend using the national ratio of 65% considering that (1) Montana's non-disabled children and adults saw analogous changes from 2000 to 2003; and (2) since Montana's historical unemployment rate does not show noticeable correlation, (see attached chart) and there is no consensus among states on estimating the impacts, there is little reason to expect a ratio different from the national average (Minnesota uses a 37% ratio, Georgia a 75% ratio, and Nevada a 120% ratio – while most other states use a flat 2% to 3% growth estimate).
- 3. Allocate the anticipated number of children enrolled between Medicaid / CHIP.** Allocate anticipated increases to children's enrollment at sixty percent (60%) to Medicaid and forty percent (40%) to CHIP.
- 4. Approximate the lag time between when a person becomes unemployed and when they would become eligible and enroll in Medicaid.** Recent information from other states indicates that the current economic downturn may be reducing the lag time between unemployment and enrolling in Medicaid or CHIP. Speculation is that the lag time is being reduced because the changes to the economy have been so substantive and sudden. There is some evidence that the lag time in Montana is between nine (9) and sixteen (16) months. We have chosen a lag time of nine (9) months.

The impacts associated with this analysis are in addition to natural growth and projected caseload without the economic downturn. The summary below lists Medicaid impacts only – it does not include CHIP. CHIP impacts were not included because the Department was not comfortable separating impacts of Initiative 155 implementation from this economic downturn projection.

At the recommended variable levels, Medicaid expenditures would be estimated to increase over current Medicaid projections by \$2.9 million in FY 2009, \$24.8 million in FY 2010, and \$32.1 million for 2011.

Recommended Impacts - Medicaid Only					
Unemployment to Medicaid or CHIP Ratio of 65% and Max Unemployment Rate of 6.26%					
9 month Lag ---	FY 2009*	FY 2010	FY 2011	FY 2012	FY 2013
Avg. number recipients per month	671	5,774	7,452	6,975	6,775
Avg. number recipients change prior year	671	5,103	1,678	-477	-200
Annual % change in recip. from prior year	0.9%	6.5%	2.0%	-0.6%	-0.3%
9 month lag estimated YEARLY cost	\$2,887,760	\$24,835,143	\$32,051,735	\$30,000,088	\$29,140,971
Estimated FMAP	66.12%	67.52%	67.06%	66.60%	66.17%
Estimated State Share	\$978,373	\$8,066,454	\$10,557,842	\$10,020,029	\$9,858,390

*SFY 2009 adjusting down by 50% on the basis of current completion factor.

While this analysis has many limitations, the numbers are suggestive of what Montana can expect as unemployment figures continue to rise.

Subcommittee Decision Document - HB 645 Recommendation						
Division/Description	General Fund FY 10	FY 11	<----Subcom Action----->	Other Direction	Fed Match	Notes
Medicaid Issues						
1 Reserve Allowable for Hold Harmless Component of FMAP	\$9,059,426	\$6,679,449				Create Medicaid Preservation SSR; transfer freed up general fund
2 FY 2009 Reserve Component	• 3,129,007					This amount could be funded from FY 2009 savings.
3 February Caseload Update - Subcommittee Recommendation	3,951,469	6,121,155		X		Match may change.
4 Unemployment Related Caseload Cost	5,677,314	8,947,242		X		FY 2009 = \$978,373; FY 2012 + \$10,020,029
4a Balance to Tie to HB 645 - Additional Recession Medicaid Cost	3,182,784	13,252,154		X		
Subtotal Medicaid Appropriation in HB 645	25,000,000	35,000,000				
Language Conditioning Medicaid Appropriation						
4c February Enrollment - 2011 Biennium Regular Costs						
Unemployment Related - Unemployment Rate? Enrollment Levels? More than 1 Level or Tier - Divide Item 4 into More than 1 Approp?						
Multi Divisional						
Offset Vacancy Savings at State Institutions						
5a State Hospital, Nursing Care Center, and MDC	1,736,279	1,745,545				
5b Vets' Home, Chemical Dependency Center (Currently SSR)	414,887	417,000				
6 Provider Rate Commission Study	1,000,000			X		
7 Provider Rate Commission Study/Rate Methodology Review	528,432	360,113		X		HB 399
8 Children's Mental Health Infrastructre Provider Rate Increase	3,000,000			X		
9 Frontier Access to Healthcare Pilot Program	500,000					
Human and Community Services Division						
8 Parents As Scholars	522,603	522,603				
9 Support Rescue Missions	2,500,000	2,500,000				
Child and Family Services Division						
10 Support of Foster and Subsidized Adoptions Stipends	869,430	1,803,725			X	OTO
11 Minimum Adequate Rates for Foster Care (HB 353)	1,200,000	1,200,000			X	
12 Pilot: Public Health Nursing Service for Foster Children in 4 Counties	1,614,265	1,635,613			X	

Subcommittee Decision Document - HB 645 Recommendation

Division/Description	General Fund FY 10	General Fund FY 11	<---- Subcom Action ----->		Fed Match	Notes
			Adopt	Restrict	Other Direction	
13 Contract for Staff Education with Family Find	15,000	15,000			X	
14 Pilot Project to Stabilize Foster Care Caseload - 5.00 FTE	178,406	178,406			X	
15 Education Public Defenders, CFSD, Courts and Stakeholders	120,657	120,657			X	
Director's Office						
16 Program to Aid in the Rescue of Vulnerable Populations					HB 643	
Disability Services Division						
17 Provider Rate Increase	8,700,688	8,700,688			X	
18 Salary Increase for Providers' Staff (2,500+ FTE) OTO	5,000,000	5,000,000				
19 Family Support Specialists Salary and Benefit (112.00 FTE) OTO	280,000					Family support direct service did not receive 2007 incr.
20 Part C Provider Support		500,000				
21 Independent Living Youth Transitions Co-coordinator	50,000	50,000				
22 Big Sandy Activities - Building Support OTO	763,000	-763,000				Special legislation; shovel ready.
23 Pilot a Montana Radio Reading Service for the Blind	147,000	176,000				Funding would go the State Library Commission.
Public Health and Safety Division						
24 Infertility Prevention Pilot Project	150,000	150,000				Pilot project to implement CDC guidelines for treatment of chlamydia and gonorrhea for low-income persons accessing Title X Family Planning Clinics.
25 HIV Diagnostic Testing	89,877	89,877				
26 Local Public Health Sustainability	500,000	500,000			HB 173	
27 Local Public Health Department Increased Funding	2,910,000	2,910,000				
28 Montana Genetics Testing - Equipment, Building, Salaries	835,000	835,000				Special legislation.
Health Resources						
29 System of Care/Kids Management Authorities Sustainability	441,252	441,252				
30 Systems of Care Sustainability/Fund Study in HB 234	750,000	750,000				
31 Systems of Care Sustainability	375,000	375,000				
32 Wrap Around Training	41,304	41,304				
33 Parent Leadership Training	24,948	24,948				

Subcommittee Decision Document - HB 645 Recommendation

Division/Description	General Fund FY 10	General Fund FY 11	<-----Subcom Action----->		Fed Match	Notes
			Adopt	Restrict	Other Direction	
34 Fund Development of Community Health Centers	650,000	650,000				
35 Montana Residentially-based Services Reform Pilot Project	3,515,000	3,515,000				2.00 FTE
36 Medicaid Provider Rate Increase - 3.5% for Hospitals	???	???			X	
37 Incentives for Dentists	72,200	72,200				HB 96
Senior and Long Term Care						
38 Provider Rate for Nursing Homes	1,300,000	2,700,000			X	
39 Provider Rate Increase for Assisted Living	220,000	446,000			X	
40 Provider Rate Increase for Direct Care Wages	1,117,000	1,117,000			X	
41 Nursing Home Quality Improvement and Safety Grants	1,100,000	1,100,000			X	Shovel ready?
42 Other Capital Improvement for Nursing Homes	???	???			X	Shovel ready?
43 Non Medicaid Aging Services	5,000,000	5,000,000				
44 Restore 2009 Biennium Aging Services	1,500,000	1,500,000				
45 4.00 New APS FTE - HB 543	400,000	400,000				HB 543
46 Traumatic Brain Injury Resource Facilitation Service	100,000	100,000				
47 Hi-Line Retirement Center Building Assistance	500,000					Special legislation; shovel ready.
Addictive and Mental Disorders Division						
48 Plan 189	400,000	400,000				
49 Grant Progr. - Local Crisis Services & Jail Diversion for Mentally Ill	1,250,000	1,250,000				HB 130
50 State contracting for Mental Health Emergency Detention Beds	410,500	410,500				HB 131
51 Diversion from Involuntary Commitment to Short-term Inpatient Treatment	1,700,000	1,700,000				HB 132
52 Jail Mental Health Crisis Network Standards Pilot Program	453,000					HB 60
53 Law Enforcement Crisis Intervention Training	51,000	51,000				
~ Western Montana Health Center - Gallatin Mental Health Center						
54 Housing for the Mentally Ill (4 Plex)	500,000					Special legislation.
55 Supportive Housing - Group Home	650,000					Special legislation.
56 Mental Health Drop-In Center	350,000					Special legislation.
57 Teen Suicide Prevention	370,000	370,000				

Subcommittee Decision Document - HB 645 Recommendation						
Division/Description	General Fund FY 10	General Fund FY 11	<-----Subcom Action----->		Fed Match	Notes
Adopt	Restrict	Other Direction				
Department Requests						
58 Technical Amendment for the Hospital Tax and Child Support Enforcement						Raise hospital tax amounts to match additional federal funds; reinstate child support enforcement GF in HB 2.
59 Offset General Fund for Meth Treatment Homes with Alcohol Tax	(143,004)	(53,146)				
60 Transitional Medicaid from 6 Months to 12 Months	196,432	248,020				
61 Add Funds for Eligibility Changes - Treatment of Assets for Indians	231,754	310,188				
Total General Fund Requests	<u>\$82,151,911</u>	<u>\$88,092,494</u>				
Federal Funds						
Division/Description	Federal Funds FY 10	Federal Funds FY 11	<-----Subcom Action----->			
Adopt	Restrict	Other Direction				
Human and Community Services Division						
Subsidized Employment (TANF stimulus funds - jobs for TANF recipients and associated staff/administration)	\$1,200,000	\$1,200,000				Authority to spend subsidized employment funding. It will not reduce page B-1 line 15 in HB 645.
Child Care Stars Program, Compensation to Providers, Affordability to Families - Child Care Development Block Grant	<u>1,000,000</u>	<u>1,000,000</u>				
Total Federal Fund Requests	<u>\$2,200,000</u>	<u>\$2,200,000</u>				